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Message Text

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64
ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 NEA-10 IO-11 L-03 H-02

PA-01 PRS-01 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01 /115 W
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P R 270900Z FEB 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 2522
INFO AMEMBASSY OTTAWA

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USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 5/27/76
TAGS: EAID, EFIN
SUBJECT: PROPOSED CAPITAL INCREASE FOR CANADA

SUMMARY: ADB PRESIDENT RECOMMENDS (A) ACCEPTANCE OF CANADA'S REQUEST FOR INCREASE IN ITS CAPITAL SUBSCRIPTION AND (B) MODIFICATION OF RESOLUTIONS NOS. 10 AND 46 SO SHARES CAN BE MADE AVAILABLE FROM EXISTING AUTHORIZED CAPITAL SOTCK. NAC QUIDANCE REQUESTED.

1. ADB DOC. R13-76 ENTITLED QUOTE AMENDMENT OF RESOLUTIONS NOS. 10 AND 46 AND INCREASE IN CAPITAL SUBSCRIPTION OF CANADA UNQUOTE WAS POUCHED FEBRUARY 26 AND WILL BE CONSIDERED BY BOARD OF DIRECTORS MARCH 16.

2. CANADA HAS APPLIED FOR INCREASE OF 12,960 SHARES IN ITS ADB CAPITAL STOCK SUBSCRIPTION, WHICH WOULD AMOUNT TO $129.6 MILLION AT PAR VALUE OF $10,000 PER SHARE.
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(NOTE: ALL QUOTE $ UNQUOTE FIGURES IN MESSAGE REFER

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TO U.S. DOLLAR IN EFFECT ON JANUARY 31, 1966. CONVERSION FACTOR TO 1973 U.S. DOLLARS TO COMPUTE CURRENT DOLLARS IS 1.20635.) IF INCREASE IS APPROVED, PERCENTAGE OF CAPITAL STOCK HELD BY REGIONAL MEMBERS WOULD BE 68.938 PERCENT, OR MORE THAN 60 PERCENT REQUIRED UNDER ARTICLE 5, PARA 3, OF ARTICLES OF AGREEMENT. (ASSUMING UNITED STATES TAKES UP FULL ALLOCATION UNDER FIRST CAPITAL INCREASE UNDER RESOLUTION NO. 46, CORRESPONDING PERCENTAGE FOR REGIONAL MEMBERS WOULD BE 64.317 PERCENT.)

3. CANADA PRESENTLY HOLDS 6,250 SHARES OF SUBSCRIBED CAPITAL: 2,500 SHARES OF ORIGINAL CAPITAL AND 3,750 SHARES OF FIRST CAPITAL INCREASE. THIS REPRESENTS 2.355 PERCENT OF TOTAL SUBSCRIBED CAPITAL OF 265,391 SHARES. PROPOSED INCREASE WOULD RAISE CANADA'S SHAREHOLDING TO 6.901 PERCENT OF TOTAL SUBSCRIBED CAPITAL.

4. SHARES OF STOCK HELD BY GREAT MAJORITY OF MEMBERS DERIVED FROM BOTH ORIGINAL CAPITAL STOCK AND CAPITAL INCREASE HAVE AVERAGED 32 PERCENT PAID-IN SHARES AND 68 PERCENT CALLABLE SHARES, AND OF PAID-IN PORTION 46.25 PERCENT IS PAYABLE IN GOLD OR CONVERTIBLE CURRENCY AND 53.75 PERCENT IN NATIONAL CURRENCY OF MEMBER CONCERNED. SAME PROPORTIONS ARE CONSIDERED APPROPRIATE FOR PROPOSED ADDITIONAL SUBSCRIPTION OF CANADA. (SAME BASIS WAS ADOPTED FOR PREVIOUS SPECIAL CAPITAL INCREASES OF KOREA, INDONESIA AND MALAYSIA.) ON THIS BASIS, CANADA'S ADDITIONAL SUBSCRIPTION OF 12,960 SHARES WOULD COMPRISE 4,147 PAID-IN SHARES ($41.47 MILLION EQUIVALENT) AND 8,813 CALLABLE SHARES ($88.13 MILLION EQUIVALENT). OF PAID-IN PORTION, 46.25 PERCENT ($19.18 MILLION EQUIVALENT) WOULD BE PAYABLE IN GOLD OR CONVERTIBLE CURRENCY AND 53.75 PERCENT ($22.29 MILLION EQUIVALENT) IN NATIONAL CURRENCY OF CANADA. AS IN PREVIOUS SIMILAR CASES, PAID-IN PORTION MAY BE MADE IN FOUR EQUAL ANNUAL INSTALLMENTS. (THIS IS SIMPLE AVERAGE OF FIVE YEARLY PAYMENTS FOR ORIGINAL CAPITAL SUBSCRIPTIONS AND THREE SUCH PAYMENTS UNDER CAPITAL INCREASE.)
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5. AUTHORIZED CAPITAL, WHICH ORIGINALLY TOTALED 100,000 SHARES, HAS BEEN SUBSEQUENTLY INCREASED ON SIX OCCASIONS AND NOW TOTALS 304,750. AT PRESENT, 265,391 SHARES HAVE BEEN SUBSCRIBE D WITH 39,359 UNSUBSCRIBED. OF LATTER, 21,509 ARE ALLOCATED FOR SUBSCRIPTION BY FOUR MEMBERS (INCLUDING UNITED STATES) AS PART OF FIRST GENERAL CAPITAL INCREASE. OTHER 17,850 SHARES (5,711 PAID-IN

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AND 12,139 CALLABLE) ARE AT PRESENT RESERVED FOR SUB-
SCRIPTION BY NEW MEMBERS.

6. DOCUMENT SUGGESTS THAT THERE IS NO PRESSING OR
APPARENT NEED TO CONTINUE TO HOLD 17,850 SHARES IN
RESERVE SOLELY FOR NEW MEMBER SUBSCRIPTIONS. IT
THEN RECOMMENDS THAT GOVERNORS BE ASKED TO RELEASE
EXISTING RESTRICTION ON ALLOCATION OF THESE SHARES
AND MAKE THEM AVAILABLE FOR PURPOSES OF SPECIAL
CAPITAL INCREASES AS WELL AS FOR INITIAL SUBSCRIPTIONS
BY NEW MEMBERS. RELEASE OF THESE SHARES WOULD MEET
REQUIREMENTS FOR INITIAL SUBSCRIPTION OF COOK ISLANDS
AND CANADA'S PROPOSED CAPITAL INCREASE. IT WOULD REDUCE
UNSUBSCRIBED AUTHORIZED CAPITAL TO 1,561 PAID-IN
AND 3,319 CALLABLE SHARES, OR TOTAL OF 4,880 SHARES.
THIS WOULD NOT BE ENOUGH TO ACCOMMODATE REQUEST ANTICI-
PATED SHORTLY FROM GERMANY FOR SPECIAL CAPITAL INCREASE.
AT THAT TIME, ADDITIONAL SHARES WOULD HAVE TO BE
AUTHORIZED. (GENERAL COUNSEL'S OPINION IS THAT BOARD
OF GOVERNORS HAS POWER TO CHANGE ANY TERM OR CONDITION
LAID DOWN PURSUANT TO ARTICLE 4.3 OF ARTICLES OF AGREE-
MENT CONCERNING CAPITAL STOCK AUTHORIZED BY STILL
UNSUBSCRIBED BY SAME SPECIAL MAJORITY INITIALLY REQUIRED
TO ADOPT TERM OR CONDITION, I.E., BY VOTE OF TWO-THIRDS
OF TOTAL NUMBER OF GOVERNORS REPRESENTING NOT LESS THAN
THREE-FOURTHS OF TOTAL VOTING POWER.)

7. PRESIDENT THEREFORE RECOMMENDS THAT CANADA'S REQUEST
FOR CAPITAL INCREASE OF 12,960 SHARES BE ACCEPTED, UNDER
PROVISIONS OF ARTICLE 5.3, ON ABOVE TERMS AND CONDITIONS,
AND THAT BOARD OF GOVERNORS BE ASKED TO MODIFY RESOLUTIONS
NOS. 10 AND 46 SO SHARES CAN BE MADE AVAILABLE FROM
BANK'S EXISTING AUTHORIZED CAPITAL STOCK TO MEET
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REQUESTED INCREASE. CANADA HAS REQUESTED EARLY CON-
SIDERATION BY GOVERNORS, AND IT IS PROPOSED THAT,
IF BOARD OF DIRECTORS AGREES, GOVERNORS' VOTE ON
PROPOSED RESOLUTION BE TRANSMITTED BY CABLE WITHIN
27 DAYS. NAC QUIDANCE IS REQUESTED.
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TAGS: EAID, EFIN, CA, ADB
To: STATE
Type: TE
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